GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4124
ANSWERED ON:23.03.2001
NON-BANKING FINANCE COMPANIES
VINAY KUMAR SORAKE

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has acknowledged the vital rolebeing played by Non-Banking Finance Companies (NBFCs) in meeting the credit needs of specific sectors like equipment leasing, hire purchase, housing finance and consumer finance;

(b) whether unlike banks and other financial institutions, NBFCs have to rely on slow legal machinery for recovery of their dues and if so whether the NPAs of these NBFCs have gone up both in absolute terms in amount and in relative terms;

(c) whether the Government propose to incorporate the provisions in the Financial Companies Regulation Bill, 2000 for recovery of the NBFCs dues;

(d) if so, the details thereof; and

(e) if not, the reasons therefor ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a):- Yes, Sir.

(b):- Reserve Bank of India (RBI)have reported that the Non-Banking Financial Companies (NBFCs) have to take recourse to the general laws of the land for recovery of the dues from their borrowers. A comparative study of the non-performing assets of the NBFCs reporting to RBI have revealed that the ratios of Gross Non Performing Assets (NPAs) to total assets haveincreased from 11.51% as on September 1998 to 15.10% as on March 2000 and to 16.22% as on September 2000. The ratioof net NPAs to the total assets had risen from 9.53% to 11.95% between September, 1998 to September, 1999 and then declined to 7.70% as on September, 2000.

(c),(d) &(e) :- The Government has introduced the Financial Companies Regulation Bill, 2000on 13th December 2000 in the Lok Sabha with a view to regulate NBFCs in a more effective manner. The Bill does not contain specific provisions for speedy recovery of the NBFCs dues. Such a provision can be considered after stabilization of NBFC sector. The Bill has been referred to Standing Committee on Finance by Hon`ble Speaker, Lok Sabha.